Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 QUITO 08321 052258Z

15
ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 NEA-06 /084 W
---------- 096614
R 052144Z DEC 74
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 3598
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 8321

E.O. 11652: GDS
TAGS: EINV, PFOR, EC
SUBJ: TEXACO-GULF PROBLEMS

REF: QUITO 8235

1. SUMMARY: FOLLOWING MY CALL ON MINISTER NATURAL RESOURCES SALAZAR DEC 2 (REFTEL), I ASKED LOCAL TEXACO MANAGER MARTINEZ AND GULF MANAGER DIAZ TO STOP BY MY RESIDENCE MORNING DEC 5 TO DISCUSS CURRENT STATUS TEXACO-GULF PROBLEMS WITH ME AND DCM. I SUGGESTED THAT BECAUSE THIS WAS FIRST TIME ANY ECUADOREAN OFFICIAL HAD BROUGHT UP ANYTHING TO DO WITH TEXACO AND GULF TO ME OR, TO MY KNOWLEDGE, TO ANY RECENT US AMBASSA-DOR IN ECUADOR, IT SHOWED A REAL CONCERN OVER THE ISSUES AT HAND AND PERHAPS A FORTHCOMING GESTURE BY TEXACO-GULF MIGHT BE USEFUL. ALTHOUGH LOCAL MANAGERS CLAIM THEY WERE NOT IN A POSITION TO EASE PROBLEM BY PURCHASING AND LIFTING CEPE CRUDE AT THIS TIME, THEY WERE PREPARED TO CONTINUE DISCUSSIONS WITH MINISTRY AND CEPE FOLLOWING THE OPEC CONFERENCE IN ALGIERS NEXT WEEK. END SUMMARY.

2. I OPENED THE DISCUSSION WITH MARTINEZ AND DIAZ BY DESCRIBING THE FORTHCOMING AND CORDIAL RECEPTION I HAD
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PAGE 02 QUITO 08321 052258Z

BEEN GIVEN BY NATURAL RESOURCES MINISTER SALAZAR IN A

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

COURTESY CALL ON HIM EARLIER IN THE WEEK. I POINTED OUT
THAT AT THE END OF THE CALL SALAZAR HAD IN FACT SUGGESTED
THAT I USE MY GOOD OFFICES WITH TEXACO AND GULF TO HELP
FIND A SOLUTION TO THE CURRENT SITUATION IN WHICH ECUADOR'S
PRODUCTION IS WAY BELOW CAPACITY BECAUSE OF CEPE'S INABILITY
TO LIFT ITS OWN CRUDE. I POINTED OUT THAT THIS MINISTER
HAD FREELY ADMITTED TO ME THAT HE HAD INHERITED A DIFFICULT
PROBLEM FROM HIS PREDECESSOR AND THAT SALAZAR, WE ALL AGREED,
WAS A DEFINITE IMPROVEMENT. I ASKED MARTINEZ AND DIAZ HOW
THEY VIEWED THE CURRENT SITUATION AND SUGGESTED THAT A
GESTURE OF FORTHCOMINGNESS ON THEIR PARTS, PERHAPS IN THE
FORM OF A ONE-TIME LIFTING OF CEPE CRUDE, MIGHT ASSIST THE
MINISTER IN HIS ABILITY TO ARRIVE AT AN ACCEPTABLE SOLUTION
TO THE PRICING PROBLEM WHILE AVOIDING PUBLIC AND POLITICAL
CRITICISM.

3. MARTINEZ AND DIAZ REVIEWED THE PRESENT SITUATION SAYING
THAT THE TANKS AT THE PORT OF BALAU WERE FILLED WITH CURDE
BELONGING TO CEPE. THEY HAD IN THE PAST LIFTED CEPE'S
CRUDE FOR THEM AND HAD BEEN TAXED FOR IT ON THE BASIS
OF THE TRV. A LIFTING ONCE AGAIN ON THESE TERMS WOULD RESULT
IN A CONSIDERABLE FINANCIAL LOSS THAT THEY DID NOT BELIEVE THEIR
HOME OFFICES WOULD AGREE TO. THEY SAID THAT THEY HAD BEEN ASKED
WITHIN THE LAST FEW WEEKS TO LIFT ADDITIONAL CEPE CRUDE AND HAD
EXPRESSED WILLINGNESS TO DO SO BUT ONLY ON A BASIS THAT
WOULD NOT RESULT IN A LOSS. CEPE HAD REJECTED THEIR OFFER.

4. THEY SAID THAT ONE OF THEIR MAJOR PROBLEMS IN OPERATING
IN ECUADOR WAS THE FACT THAT CEPE AND THE MINISTRY WERE
ALWAYS WELL BEHIND IN ANY PAYMENTS OWED THE TWO COMPANIES.
THIS IS SEEN AS WELL IN TEXACO-GULF SALES FOR THE INTERNAL
MARKET, $12 MILLION ON WHICH IS STILL OWED.

5. MARTINEZ AND DIAZ MAINTAINED THAT NO SOLUTION COULD REALLY
BE FOUND UNTIL AFTER THE OPEC CONFERENCE WHICH BEGINS
DEC 12. ON THE MINISTER'S RETURN FROM THAT CONFERENCE THEY
ARE AGREEABLE TO HAVING THEIR PRINCIPALS IN CORAL GABLES
JOIN THEM IN QUITO IN FURTHER DISCUSSIONS WITH THE MINISTER
TO RESOLVE THE PRICING PROBLEM.

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6. I TOLD THE TEXACO-GULF REPRESENTATIVES THAT I EXPECTED
TO SEE THE PRESIDENT SOON ON OTHER MATTERS AND HE MIGHT
POSSIBLY BRING UP THE TEXACO-GULF PROBLEM. IN THAT CASE
I WOULD TELL THE PRESIDENT THAT I WAS AWARE OF THE ISSUE
IN GENERAL BECAUSE I HAD HEARD IT FROM THE MINISTER, THAT
I HAD DISCUSSED THE ISSUE IN BROAD TERMS WITH THE LOCAL
TEXACO AND GULF MANGERS, AND THAT I UNDERSTOOD THAT DIS-
CUSSIONS WOULD CONTINUE AFTER THE OPEC CONFERENCE.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

7. WITH RESPECT TO SALAZAR, I SAID THAT I WOULD HAVE TO
MAKE SOME RESPONSE TO HIM AFTER HIS RETURN FROM OPEC AND
THAT I WOULD PROBABLY TELL HIM THAT I HAD DISCUSSED THE
MATTER WITH THE LOCAL TEXACO-GULF MANAGERS WHO HAD DESCRIBED
THEMSELVES AS BEING VERY ANXIOUS TO WORK OUT AN ACCEPTABLE
SOLUTION WITH THE MINISTER AND CEPE. THIS WAS AGREEABLE
TO MARTINEZ AND DIAZ.
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